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TO RUEHSN/AMEMBASSY SAN SALVADOR IMMEDIATE 4357  
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SENSITIVE  
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SAN SALVADOR PLS PASS TO A/S SHANNON  
TEGUCIGALPA PLS PASS TO A/S SHANNON

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TAGS: [PGOV](#) [ECON](#) [PINR](#) [ASEC](#) [SNAR](#) [EAID](#) [GT](#)  
SUBJECT: SCENESETTER FOR A/S SHANNON'S MARCH 19-21 VISIT TO  
GUATEMALA

#### Summary

1. (SBU) President Colom's tenure has been characterized by a number of successes in the social field, and growing challenges in others, especially security. Controversial First Lady Sandra de Colom leads the government's efforts to fulfill campaign promises of poverty alleviation and social inclusion of indigenous people. Guatemala's economy, which is closely tied to that of the U.S., is being buffeted by the global financial crisis. The country continues to suffer at the hands of Mexican and Guatemalan drug traffickers as well as gang members, and the security situation continues to deteriorate. The GOG is advancing its legislative agenda, which includes an important package of security related reforms, with the help of center-right congressional allies. Guatemalan foreign policy is aimed at maintaining good relations with the USG while burnishing center-left credentials with other regional governments. The GOG observed the Salvadoran election with interest, and hopes that the Obama Administration will change USG policy toward Cuba.

2. (SBU) Among the topics President Colom and FonMin Rodas will want to discuss with you are the Vice President's upcoming visit to Costa Rica (Colom plans to attend), the Summit of the Americas, immigration, and the Merida Initiative. You may also wish to raise Pathways to Prosperity, congratulate President Colom on his government's growing efforts to alleviate poverty, and encourage thorough reform of rule of law institutions in the face of the growing threat from narcotraffickers. Given Guatemala's close ties with El Salvador, you might also discuss USG expectations for the new FMLN government. End Summary.

#### Advances in Poverty Alleviation

3. (SBU) President Colom was elected on the strength of support from rural voters to carry out a poverty alleviation and rural development agenda. The GOG's flagship poverty alleviation program, "My Family Progresses," is a Conditional Cash Transfer (CCT) program modeled on CCTs in Brazil and Mexico, and run by First Lady Sandra de Colom. Via "My Family Progresses," according to government statistics, approximately 28,000 mostly rural and indigenous families received a small monthly stipend in exchange for keeping their children in school and keeping up on their vaccinations during 2008. Business elites and other opinion leaders in Guatemala City have derided the program as fomenting dependency on the state, lacking in transparency, and as a vehicle for political patronage and corruption. Despite the criticisms, the program is popular with the rural poor. The Ambassador has praised the GOG's effort to use its CCT, while privately urging the GOG to improve the program's transparency.

¶4. (U) The GOG established other popular programs for poor families, such as providing children with vitamin supplements and opening primary schools on Saturdays so that children can play in a safe place where they are protected from gangs. For the first time, families did not have to pay to register their children for public school in 2009. The GOG's success in conveying an image of social activism is all the more noteworthy because the state remains chronically under-funded. Tax receipts were just 11.3% of GDP in 2008, the lowest in the hemisphere, according to U.S. Treasury officials. Per latest estimates, even if fully implemented, the GOG's tax reform package would increase the tax take by only about 1% of GDP.

#### Respect for Market Economics

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¶5. (SBU) A pragmatist, President Colom has been careful to preserve the free market mechanisms that are slowly helping rural people to slip the bonds of extreme poverty. He has embraced CAFTA as a boon to small farmers, who have increased non-traditional agricultural exports to the United States. Colom has also resisted the temptation to tax remittances from Guatemalans in the U.S., which at more than \$4 billion annually (but now declining) have done far more to transform the countryside than any government program, or even trade. At one point during 2008, year-on-year inflation exceeded 14%, the basic basket of consumer goods was up 22%, and gasoline spiked to \$4.50 per gallon, but inflation has since fallen in line with global trends. Spurred by soaring fuel prices, Colom rushed to sign a PetroCaribe deal with Venezuela in 2008. Now that oil prices are lower, the GOG appears to have lost interest in finalizing the terms of the agreement. Driven by external factors, GDP growth fell in 2008 to about 3.5% as the main drivers of the economy -- tourism, remittances, and exports -- slowed sharply.

#### Legislative Alliances Delivering Key Votes

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¶6. (SBU) The governing UNE party has only 37 of Congress's 158 seats. Nonetheless, the GOG continues to advance its legislative agenda thanks to President Colom's ability to forge and maintain alliances with center-right and other parties. Prospects look favorable for an omnibus security bill now before Congress. Drafted with assistance from the International Commission Against Impunity in Guatemala (CICIG), the bill would reform and modernize the Penal Code, Code for Penal Procedures, Femicide Law, Extraditions Law, and the Organized Crime Law. The Embassy has been vocal in its support of the legislation. By threatening to make public documents implicating General Otto Perez Molina, leader of the opposition Patriot Party, in the congressional embezzlement scandal, the UNE muted a main source of opposition. Little real opposition is left in Congress. The role of opposition is now mostly played by the press and private sector.

#### Security Dire and Getting Worse

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¶7. (SBU) The GOG continues to lose significant control of entire swaths of the national territory -- concentrated in border regions -- to narcotraffickers. With a homicide rate of 48.4 per 100,000, and with over 6,200 murders in 2008, Guatemala is among the most dangerous countries in Latin America. The current government inherited a police force that for the last nine years at least has been understaffed, usually poorly led, underpaid, and corrupt. The military, which was capped at approximately 33,000 members by the 1996 Peace Accords, was reduced to approximately 14,500 under the Berger Government. It is under-staffed and under-resourced for the security functions it has; it does enjoy increased public confidence. Gravitating toward Guatemala's weak rule of law, Mexican Zetas (the armed wing of the Gulf Cartel) displaced Guatemalan traffickers in bloody shoot-outs, and established a permanent presence in several border and interior regions. The removal of several key traffickers from the scene in eastern Guatemala brought on a bloody battle to fill the resulting vacuum. (Comment: The GOG

believes the Mexicans are being pushed out of Mexico by more aggressive GOM actions; we believe, however, that Mexican cartels are attracted to Guatemala by the relative power vacuum in the drug transit areas.) Encouraged by a homicide impunity rate of at least 93% (and even higher for other kinds of crime), gang members increased their extortion business in Guatemala City and other urban areas. Among their victims in 2008 were 163 murdered bus drivers, most of whom failed to make extortion payments demanded by the gangs.

¶8. (SBU) CICIG Commissioner Carlos Castresana publicly characterized Guatemala's rule of law institutions as being in a state of "collapse." Vulnerable judges, prosecutors, and police in rural areas are unprepared to confront narcotraffickers' increasing challenge to state authority. While Vice President Espada publicly named the judiciary as the country's most corrupt rule of law institution, the competition is stiff. Approximately 900 police officers were removed for cause (though in most cases not prosecuted) during 2008, including the National Civilian Police's (PNC) top leadership. At Castresana's urging, Colom undertook a major house-cleaning at the Attorney General's Office. While the AG's Office is much improved, much remains to be done. A new Supreme Court should be elected not later than September; the Embassy, CICIG, the GOG and other donor countries have begun working for a new court that is better. Authorities seized just three of the approximately 200 to 300 metric tons of cocaine estimated to have passed through Guatemalan air, sea, and land space during 2008. Under rising public pressure to improve the security situation, in January Colom replaced Minister of Government Francisco Jimenez with Salvador Gandara, who has increased the PNC's operational tempo. Colom has also replaced three senior military officers that we believe have ties to drug traffickers.

#### State Efforts on Security

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¶9. (SBU) In the face of the formidable narcotrafficking threat, the state is making some efforts. The Organized Crime Unit, Counternarcotics Unit, and CICIG-supervised Vetted Unit of the Attorney General's Office are working well under new leadership and in close coordination with CICIG and the Embassy. The Ministry of Government's budget was increased, 4,800 new police will be hired in 2009, and Minister Gandara has pushed the PNC to undertake bolder counternarcotics operations. With Embassy and CICIG assistance, the Attorney General's Office and Ministry of Government are progressing toward full implementation of the Organized Crime Law. Human rights groups have expressed concerns about Minister Gandara, but have yet to produce any evidence of wrongdoing. The Ambassador hosted a meeting for Minister Gandara and leading human rights activist Helen Mack, during which the two made progress toward overcoming their differences.

#### The Kitchen Cabinet

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¶10. (SBU) There was a marked strengthening of the Kitchen Cabinet during Colom's first year in office. First Lady Sandra de Colom regularly attends cabinet meetings, and guides social policy via her Social Cohesion Council. She is the most effective manager in the GOG. After Mrs. Colom, UNE campaign financiers brothers Gustavo and Roberto Alejos are probably closest to the President. Colom is rarely seen without Gustavo, his private secretary, and Roberto Alejos is pushing forward Colom's legislative agenda from his new position as President of Congress. Finance Minister Alberto Fuentes Knight and Foreign Minister Haroldo Rodas help set the center-leftideological tone for the GOG.

#### Foreign Policy: Lft, Half-Rudder

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¶11. (SBU) The mantra of the GOG's foreign policy is maintenance of good relations with all countries in the hemisphere. Advancing regional integration is also high on the agenda. As demonstrated by their April 2008 visit to the White House, President Colom and FonMin Rodas appreciate that

their most important bilateral relationship by far is that with the U.S. The MFA's activism on USG immigration policy is largely intended for domestic consumption. The Colom Government has occasionally used foreign policy to burnish its center-left credentials with other Latin American governments, at times by indulging in short bursts of anti-capitalist (though not anti-American) rhetoric. The MFA has refrained from taking any principled stands on Cubans' human rights, Nicaragua's flawed November 2008 elections, Chavez's support for the FARC and anti-democratic shenanigans, and similar issues. It hopes that the Obama Administration will change USG policy toward Cuba. The GOG has been publicly neutral toward the FMLN victory in El Salvador, but many in the GOG harbor private sympathy for the FMLN. There is some speculation that the FMLN victory will encourage the GOG to turn further left to keep pace with regional developments, but there is no evidence so far to support such a view.

## Conclusion

12. (SBU) Your visit to Guatemala comes at an excellent time as the GOG seeks to expand its ties to the USG. The first of the Merida Initiative money is coming on-line, and the Embassy may soon receive other substantial resources. President Colom and the other senior GOG representatives you will meet will be eager to discuss the Obama Administration's agenda generally, with specific focus on immigration, the Merida Initiative, CICIG, Pathways to Prosperity, Vice President Biden's visit, and the Summit of the Americas. USG policy toward Cuba may also be raised. You may wish to use your visit to congratulate President Colom on his appropriate focus on poverty alleviation. Guatemala has closer cultural, business, and family ties with El Salvador than with any other Central American country. Discussion of our expectations for the new FMLN government would be of interest to most interlocutors. We suggest that you encourage GOG leaders to undertake thorough institutional reform as an integral part of the GOG's effort to combat narcotraffickers, who so far have proven much more nimble than the state in the ongoing contest for control.

McFarland